

**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
May 23, 2019**

**MINUTES**

**City Hall - St. James Building, Conference Room 3C: 2:00 P.M.**

**Members Present**

Jeffrey Bernardo, Chair  
David Kilcrease  
Kent Mathis  
Sam Mousa  
Diane Moser  
Shari Shuman  
Terry Wood

**Members Not Present**

Joey Greive  
Bill Messick

**Staff Present**

Randall Barnes, Treasurer  
Brennan Merrell, Manager Debt and Investments  
John Sawyer, OGC  
Tom Stadelmaier, Pension Administrator

**Others Present**

Jordan Cipriani, RVK  
Brian Hughes, incoming CAO  
James Poindexter, Delegal Law Offices  
Kevin Schmidt, RVK

**1. CALL TO ORDER**

Chair Bernardo called the meeting to order at 2:00 PM

**2. PUBLIC COMMENT**

Mr. Mousa introduced Brian Hughes to the Board and staff present. Mr. Hughes will be taking over the Chief Administrative Officer role currently held by Mr. Mousa. Mr. Mousa plans to be at the June meeting as his last Pension Board meeting. Mr. Mousa also expressed appreciation and gratitude for his time serving on the Board and for his fellow Board members.

### 3. **MINUTES**

Mr. Mousa made a motion to approve the minutes. Ms. Moser seconded the motion. The Chair asked for any discussion and there was none. The Chair took a vote and the minutes passed unanimously.

### 4. **NEW BUSINESS**

#### Consent agendas

Mr. Mousa moved to approve the consent agenda. Ms. Moser seconded the motion. The Chair opened discussion. Mr. Mathis pointed out Christopher Knight appeared with DROP entry in both March and April. Mr. Stadelmaier said that was a likely duplicate and he could have the April version revised to note this. Mr. Mathis also asked about a Corrections Officer appearing under Time Service Retirement in March and then under Phase II DROP in April. Mr. Stadelmaier gave a brief description of Correction's Officers options under DROP including options for taking the funds over time. The features of the Correction's Officers DROP are different than the General Employee's Plan options. Phase II is fairly new as it was added as part of 2017 Pension Reform. Mr. Wood asked about the code JEJE. It was mentioned that employee was part of DIA. Mr. Mousa pointed out that was the code given for that group previously part of Jacksonville Economic Development.

The Chair took a vote and the consent agendas passed unanimously.

#### Pryce-Jones request

Mr. Stadelmaier provided a summary of Ms. Pryce-Jones situation and referred to the letter provided by Tad Delegal requesting to allow her to complete a purchase of time she initiated while employed. Normal practice of the Pension Office is to allow a lump-sum payoff at termination of employment but not after. The PAC reviewed the request earlier this month and voted unanimously to deny the request. Mr. Delegal requested that the Board review that decision.

Ms. Shuman asked how long the Pension Office allows for a pay-off in these cases. Mr. Stadelmaier said if the request was initiated as part of the termination process, they would accept payment after termination. For example, sometimes former employees pay for it out of accumulated leave balances or transfer funds from a tax-deferred account when they terminate employment. Mr. Sawyer added that in addition to the office practice, the code has a hard 5-year rule and we are past that point for this case.

Mr. Wood made the comment that she was a disabled veteran and he wanted to make sure the Board was aware before making a decision. Mr. Wood also recalled that Ms. Pryce-Jones was willing to take another position. Chair Bernardo recalled differently on that point.

Ms. Shuman pointed out that no matter the Board decision on this case, the form should be changed to be clear on the timing required.

Mr. Poindexter appeared as attorney for Ms. Pryce-Jones and said there is no time limit in the code. In addition, he said Ms. Pryce-Jones made her request soon after the approval of the disability benefit. Mr. Sawyer read from code regarding the 5-year limit. Mr. Poindexter read the code drawing attention to the commas and said it appeared the 5-year limit was specific to the pick-up contribution form of payment. Mr. Sawyer said he read the 5-year rule as applying to all manners of payment.

Mr. Mousa asked Mr. Poindexter why Ms. Pryce-Jones didn't make the payment when she terminated. Mr. Poindexter indicated that Ms. Pryce-Jones was losing her income and was not in a position to make the payment prior to her disability approval.

Mr. Mousa asked how much of the purchase was completed. Mr. Stadelmaier responded that just under 9 months was completed out of a total of just over 24 months.

Ms. Shuman asked if the Pension Office proactively reaches out to all terminating employees in the middle of a time connection regarding their options. Mr. Stadelmaier said no, they do not. He also referenced the language on the form signed by employees and communications employees receive. Additionally, the established Board rules indicate the process for handling in-progress purchases when an employee terminates.

Mr. Mathis gave a report regarding the PAC's careful consideration of the matter. Mr. Wood asked if Ms. Pryce had an attorney present at the meeting and Mr. Mathis said she did not.

Mr. Mousa made a motion to accept the PAC recommendation of denial of the request. Ms. Moser seconded the motion.

Ms. Shuman asked if there were other cases like this. Mr. Stadelmaier said no but that the Pension Office commonly answers questions of employees regarding purchases and how to handle them at termination. The office also receives requests from former employees to purchase time and they are told they cannot complete a purchase after employment ends. Mr. Stadelmaier added that the code gives purchase rights to Active members which refers to employees.

Confirming no further discussion, the Chair took a vote to deny the request to complete the purchase and it passed 6-1. Mr. Wood was the lone dissenting vote.

## **5. INVESTMENT AND FINANCIAL MATTERS**

Mr. Barnes opened the investment section by mentioning that he has been having regular meetings along with Mr. Merrell with the current managers in the Fund.

Ms. Cipriani provided a brief update on the Quarterly report with a focus on peer comparisons. It was noted the Fund is slightly higher than average in US equity and lower in alternate investments. Page 14 of the Quarterly showed the peer comparison, which is strong. Especially 3 years out and longer, in the top decile, even the top 1% looking at 10 years. Mr. Schmidt pointed out that with the fund heavily invested in US equity allocation that has driven good comparison returns over this period. He pointed out that in good markets like 1Q our Fund looks comparably great and similarly in bad market quarters like 4Q our fund looks comparably worse.

Mr. Merrell provided an update on April describing a very strong US equity market driving positive fund performance. The S&P 500 reached an all-time high in April. US equity and fixed income both beat the benchmarks as well. In the broader economy and overall market, are showing good signs included historically low unemployment figures, high consumer confidence and the Fed remaining dovish on interest rates.

Mr. Kilcrease asked about the downturn in Timber. Mr. Schmidt pointed to an investment in Brazil and that the strong US dollar contributed to Timber turning negative.

Ms. Cipriani touched on the completion of the INTECH transition and noted the implicit cost of the transfer was actually a negative 3.4 basis points and overall total costs were negative. This was good timing for the Fund and within the range expected by State Street as transition manager. Ms. Cipriani further noted that the UBS Trumbull real-estate holdings recently acquired land in the Jacksonville market.

Mr. Schmidt gave an update on the May performance. He noted that while the Fund went positive for the fiscal year at the end of April, we are negative again in May by about 2% so far. He explained the trade-wars are the main reason for the market downturn.

Mr. Mathis asked about the benchmarks again, especially timber showing a zero percent benchmark. Ms. Cipriani explained that benchmark and others including the real-estate benchmarks often have a lag and are updated quarterly. RVK is reviewing the benchmark notes to make sure this is clear.

Mr. Mathis also asked about the bounce-back with Franklin Templeton. Mr. Merrell noted this is an unconstrained fund and Ms. Cipriani indicated this high-octane approach will lead to volatility. She also confirmed that the fund was operating within guidelines. Chair Bernardo mentioned that this approach makes sense for us given that we don't generally favor a strict fixed-income proposition.

Ms. Cipriani reviewed the updates to the Asset Allocation study which now includes a recommendation page and rationale on pages 5 and 6. No changes in target allocation for US equity, fixed and real estate. The main changes to the target allocation include a new allocation to private credit, increased allocation in private equity, and an elimination of timberland and hedge funds in the target allocation. Mr. Kilcrease asked about

constraints in selling the timber asset. Ms. Cipriani said a timber redemption would need to happen over time to get back full value and that was OK because implementing a private equity investment will take time to build.

Ms. Shuman wanted to confirm that the changes to the target allocation do not require council approval and Mr. Barnes confirmed.

Ms. Shuman made a motion to accept target 3 from the RVK asset allocation presentation. Mr. Mathis seconded the motion. The Chair confirmed no further discussion and took a vote and the motion passed unanimously.

Mr. Mathis asked about hedge fund analysis capabilities at RVK and Mr. Schmidt gave a brief description of their capabilities and how they review funds with different strategies.

Chair Bernardo asked RVK if they review by factors based on Fund holdings and changes. Ms. Cipriani indicated yes, but it is not common. Mr. Schmidt pointed out that is useful for quantitative managers but not for bottom-up approaches like Eagle and Pinnacle. Mr. Barnes said it would be good to see the factor weightings for the overall portfolio but hard to act on changes to it. Chair Bernardo added managers tend to have factor tendencies. RVK can do analysis on this but there is additional cost to use the tools required.

Mr. Merrell concluded the investment section by requesting an extension of the BNY Mellon contract for custodial services. The contract allows the option for a 2-year extension and that we are pleased with the services offered by BNY Mellon. An RFP will be required for the next round and we would start that work next year. Mr. Wood made a motion to extend BNY Mellon for 2 years. Ms. Shuman seconded the motion. The Chair confirmed no further discussion and took a vote and the motion passed unanimously.

## **6. OLD BUSINESS**

None

## **7. ADMINISTRATIVE**

Mr. Stadelmaier reported there have been some reductions in Pension Office staff level due to time off for employees and that one office member has recently resigned. The Pension Office did hire a part-time employee that started in the last 2 weeks and that will help. Also, staff is working with HR to post for a replacement for the departing associate.

Mr. Mousa asked if the office was able to keep up with requests. Mr. Stadelmaier said yes, but that it has slowed our ability to make some changes including system and process control improvements and that it puts more emphasis on our process to

prioritize work which is constant.

Mr. Stadelmaier added that a redline of Chapter 120 changes remains in progress and that comments are welcome from the Board, staff, REA and other interested parties. The PAC has provided feedback as well that is being incorporated and they will review the redlined version as well. Changes should be ready in the next month or two for Board review and comment.

Mr. Stadelmaier alerted the Board about a new request from Mr. Dizo, for recent letters sent to him and minutes from the Board meetings reviewing his case back to 2016. Mr. Stadelmaier has provided a letter to Mr. Dizo that was sent recently and has also identified some information in Board minutes that will be provided to Mr. Dizo. Mr. Mousa wanted to confirm Mr. Sawyer was aware of anything sent to Mr. Dozo and Mr. Stadelmaier confirmed that was the case. Mr. Wood asked if it was decided what would happen if Mr. Dizo passed away and Mr. Stadelmaier indicated it would likely need to be reviewed by the Board at that time.

**8. INFORMATION**

The next regular BOT meeting will be Thursday, June 27, 2019, at 2 PM.

**9. PRIVILEGE OF THE FLOOR**

Mr. Wood complimented Mr. Mousa for his service and for always having the interest of the community in mind.

**10. ADJOURNMENT**

Chair Bernardo adjourned the meeting at about 3:24 PM.